

SOUTHLAND HEALTH CARE CENTER

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-SHC-J7**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 26, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Southland Health Care Center, for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Southland Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Southland Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 26, 1999

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1998, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

SOUTHLAND HEALTH CARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-SHC-J7

	<u>10/01/98- 11/30/98</u>	<u>Beginning 12/01/98</u>
Interim reimbursement rate (1)	\$83.70	\$84.45
Adjusted reimbursement rate	<u>83.48</u>	<u>84.23</u>
Decrease in reimbursement rate	\$ <u>.22</u>	\$ <u>.22</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

SOUTHLAND HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-SHC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$35.26	\$43.39	
Dietary		10.13	9.93	
Laundry/Housekeeping/Maint.		<u>8.42</u>	<u>8.11</u>	
Subtotal	\$ <u>4.30</u>	53.81	61.43	\$53.81
Administration & Med. Rec.	\$ <u>4.26</u>	<u>6.64</u>	<u>10.90</u>	<u>6.64</u>
Subtotal		60.45	<u>\$72.33</u>	60.45
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		1.95		1.95
Medical Supplies & Oxy.		2.84		2.84
Taxes and Insurance		1.16		1.16
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$69.15</u>		69.15
Inflation Factor (3.60%)				2.49
Cost of Capital				9.84
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.42
Cost Incentive - For Gen. Serv. & Dietary				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.97)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$83.48</u>

SOUTHLAND HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning December 1, 1998
AC# 3-SHC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$35.26	\$43.39	
Dietary		10.13	9.93	
Laundry/Housekeeping/Maint.		<u>8.42</u>	<u>8.11</u>	
Subtotal	\$ <u>4.30</u>	53.81	61.43	\$53.81
Administration & Med. Rec.	\$ <u>4.26</u>	<u>6.64</u>	<u>10.90</u>	<u>6.64</u>
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<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		1.95		1.95
Medical Supplies & Oxy.		2.84		2.84
Taxes and Insurance		1.16		1.16
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$69.15</u>		69.15
Inflation Factor (3.60%)				2.49
Cost of Capital				9.84
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.42
Cost Incentive - For Gen. Serv. & Dietary				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.97)
CNA Add-On				.75
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$84.23</u>

SOUTHLAND HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1997
 AC# 3-SHC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,130,818	\$ 129 (3)	\$ 6,387 (3)	\$1,124,560
Dietary	322,696	273 (3)	-	322,969
Laundry	81,987	-	1,270 (3) 35,758 (5)	44,959
Housekeeping	123,807	6,699 (4)	4,841 (3) 2,857 (5)	122,808
Maintenance	97,659	280 (3) 5,250 (4)	2,333 (5)	100,856
Administration & Medical Records	203,797	3,572 (3) 8,837 (4)	4,524 (5)	211,682
Utilities	84,582	4,545 (4)	2,013 (5)	87,114
Special Services	62,094	-	-	62,094
Medical Supplies & Oxygen	94,312	-	3,867 (2)	90,445
Taxes & Insurance	35,895	1,893 (4)	843 (5)	36,945
Legal Fees	474	21 (4)	11 (5)	484
Cost of Capital	286,293	921 (1) 14,573 (4) <u>18,491 (6)</u>	6,513 (5)	313,765
Subtotal	2,524,414	65,484	71,217	2,518,681

SOUTHLAND HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-SHC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	77,325	3,867 (2)	-	81,192
Non-Allowable	277,348	8,244 (3)	41,818 (4)	280,135
	<u> </u>	<u>54,852 (5)</u>	<u>18,491 (6)</u>	<u> </u>
Total Operating Expenses	<u>\$2,879,087</u>	<u>\$132,447</u>	<u>\$131,526</u>	<u>\$2,880,008</u>
Total Beds	<u> 88</u>	Total Patient Days		<u> 31,889</u>

SOUTHLAND HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-SHC-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$ 3,792	
	Cost of Capital	921	
	Accumulated Depreciation		\$ 4,713
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304		
2	Ancillary	3,867	
	Medical Supplies		3,867
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
3	Nonallowable	8,244	
	Restorative	129	
	Dietary	273	
	Maintenance	280	
	Administration	3,572	
	Nursing		6,387
	Laundry		1,270
	Housekeeping		4,841
	To adjust cost of health insurance and related allocation HIM-15-1, Section 2104		
4	Housekeeping	6,699	
	Maintenance	5,250	
	Administration	8,837	
	Legal	21	
	Utilities	4,545	
	Taxes and Insurance	1,893	
	Cost of Capital	14,573	
	Nonallowable		41,818
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		

SOUTHLAND HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-SHC-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	54,852	
	Cost of Capital		6,513
	Taxes and Insurance		843
	Administration		4,524
	Legal		11
	Maintenance		2,333
	Utilities		2,013
	Laundry		35,758
	Housekeeping		2,857
	To allocate laundry costs to Commander Nursing Center State Plan, Attachment 4.19D		
6	Cost of Capital	18,491	
	Nonallowable		18,491
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$136,239</u>	<u>\$136,239</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SOUTHLAND HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-SHC-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	1,438,828
Accumulated Depreciation at 9/30/97	<u>(1,671,477)</u>
Deemed Depreciated Value	2,765,423
Market Rate of Return	<u>0.067</u>
Total Annual Return	185,283
Return Applicable to Non-Reimbursable Cost Centers	(4,136)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>3,485</u>
Allowable Annual Return	184,632
Depreciation Expense	130,126
Amortization Expense	5,602
Capital Related Income Offsets	(82)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(6,513)</u>
Allowable Cost of Capital Expense	313,765
Total Patient Days (Minimum 97% Occupancy)	<u>31,889</u>
Cost of Capital Per Diem	\$ <u><u>9.84</u></u>

SOUTHLAND HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-SHC-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$10.93
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>14.92</u>
Reimbursable Cost of Capital Per Diem	\$ 9.84
Cost of Capital Per Diem	<u>9.84</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>